

Central Intelligence Agency



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## DIRECTORATE OF INTELLIGENCE

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The New Zealand Party: Spoiler on the Right? 25X1Summary

The tough fight Prime Minister Muldoon faces for reelection this fall is complicated by a possible fragmenting of the conservative support that has sustained him in office for nine years. He will have to wage an electoral campaign against both the fast-growing, rightist New Zealand Party and the traditional opposition, Labor. Although the New Zealand Party will win few seats of its own, it could drain enough votes from Muldoon to hand the election to Labor despite Labor's internal divisions--a development that would mean changes in Wellington's relationship with Washington.

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A Fourth Term Bid

Muldoon's National Party had a record majority when it came to power in 1975. During Muldoon's current three-year term it has had only a one-seat advantage. And according to public opinion polls, Labor now trails National by only 2 percent. Given the level of dissatisfaction with the Muldoon government, a well-led opposition should be able to close the gap. Growing numbers of New Zealanders fault Muldoon's handling of the faltering New Zealand economy, in particular blaming him for record unemployment, which polls indicate is the overriding concern of voters.

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Despite his thin margin, Muldoon finds encouragement for his reelection prospects in the continuing disarray and divisions in the Labor Party. The standing of Labor leader David Lange among the electorate as preferred prime minister has slipped to 13.5 percent, less than one-half the rating when he took the party helm a year ago. [ ]

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Any benefit to Muldoon from Labor's troubles is diminished, however, by the growth of the new and aggressively free-enterprise New Zealand Party, which appeals strongly to some segments of Muldoon's traditional backers. If this appeal holds or grows until election day, the new party could drain enough votes from National and the other conservative party--Social Credit--to hand the election to Labor. [ ]

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### The Threat from the Right

The New Zealand Party was launched in August 1983 by millionaire real estate speculator Bob Jones as an alternative to the "socialist and interventionist" policies of the National Party government under Muldoon. Jones campaigned for and provided money to Muldoon in his sweep into office in 1975. He subsequently became disgruntled over what he saw as Muldoon's interference in the economy, particularly the Prime Minister's "think big" approach that favors major government involvement in energy projects. The National Party claimed that these programs--by supplementing reliance on agriculture with exploitation of rich natural gas reserves and abundant hydroelectric power--would reduce New Zealand's dependence on imported oil. Jones believed the task should be left to private developers. Jones's final break with Muldoon came after the Prime Minister--in his concurrent capacity as Finance Minister--imposed a freeze on wages and prices in 1982 and introduced a retroactive capital gains tax on land-sale profits, a move which personally offended and affected Jones. [ ]

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Since inaugurating the new party, Jones has toured New Zealand to espouse an aggressively free-enterprise economy unfettered by government. Jones's aversion to government goes as far as opposing breath tests to detect drunk drivers. In line with his opposition to government involvement in the lives of its citizens, he would sharply cut back New Zealand's extensive social welfare services. He advocates a floating exchange rate for New Zealand's dollar, a low flat-rate income tax, increased spending on education, and a written constitution. The party's foreign affairs planks include calls for reduced military spending and withdrawal from all military treaties, including ANZUS, to be replaced by armed neutrality on the model of Switzerland and Sweden. Finally, the party would promote a South Pacific nuclear-free zone. [ ]

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Surprising Growth

The new party was initially dismissed by both National and Labor Party leaders as a party of the rich that would have little popular appeal. Muldoon charges the New Zealand Party lacks social conscience and simply promotes the politics of greed. Some of the new party's detractors see it as merely a personal vehicle for the colorful Jones. [ ]

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Jones, however, has proven a politician of substance. His low-key and reasoned public speaking style draws large crowds as he presents his free-enterprise, anti-Muldoon message. [ ]

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The new party also has confounded its critics by eclipsing the established third party, the Social Credit Party--with a platform centered on the notion of easy credit--within only a few months. According to the most recent public opinion polls, it now has the support of 18 percent of the electorate. Some polls indicate the New Zealand Party has absorbed many defectors from foundering Social Credit, which got 21 percent of the vote in the last elections in 1981 and won two seats in Parliament. Hurt by an image of being a single-issue party, over the past year Social Credit has slipped to a public approval rating of only 7 percent. [ ]

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In our judgment, however, the New Zealand Party's constituency is based on traditional National Party supporters who believe government involvement in the economy has grown to unacceptable levels under Muldoon's leadership, [ ]

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[ ] Interest in the new party seems particularly strong among farmers and the urban middle class, according to local political commentators. Most of the delegates to the New Zealand Party's inaugural conference in March, according to press reports, had a record of voting and working for the National Party. [ ]

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Its organizational efforts also suggest that the New Zealand Party is not the flash in the pan that mainstream New Zealand politicians anticipated. It intends to field candidates in all but six of New Zealand's 95 electoral districts and has already named more than one-third of these. Domestic political observers consider the candidates announced thus far to be of generally high caliber, the equal to all but the most prominent of the two major parties' candidates. The six seats not to be contested appear to be those held by National Party parliamentarians sufficiently conservative that the New Zealand Party finds them compatible. [ ]

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### Exploiting Labor's Weaknesses

Whether the New Zealand Party proves a spoiler in the election will depend to a large degree on whether the Labor Party can resolve its own problems. On the surface, it would appear that competition between the National Party, Social Credit, and the New Zealand Party could fragment the conservative vote enough to hand the election to Labor. Party leader Lange, in a speech in Washington in January 1984, suggested that Labor could stand back and watch the opposing conservative parties cancel out one another's vote, leaving Labor to slide into office.. [ ]

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Labor, however, may be banking too heavily on this assumption. When the moderate Lange replaced the discredited Bill Rowling a year ago, Laborites were euphoric. Now many of these former supporters call Lange's first-year record "stumbling" and "mediocre." In addition, squabbling between its moderate and left wings has caused Labor to neglect policy formulation. The party has thus been unable to exploit the dissatisfaction with Muldoon's economic management--a role taken up by the New Zealand Party. Indeed, the New Zealand Party will probably have some success in the months ahead acquiring the mantle of challenger to Muldoon. [ ]

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New Zealand elections tend to be decided in about 20 constituencies that cannot be considered safe by either of the two major parties. The New Zealand Party's appeal to a protest vote by discontented National Party adherents could cost National some of these seats. Some observers, however, believe Labor is more dependent on these constituencies than National in winning a majority, and Jones has demonstrated at least some appeal to conservative Laborites. Labor's loss of some of these districts could therefore hurt it seriously. [ ]

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### The New Party's Liabilities

The New Zealand Party's potential for winning a large protest vote is tempered by its advocacy of withdrawal from ANZUS and a cutback in social programs, both positions that go against the grain of majority New Zealand thinking. Most New Zealanders value their country's security ties to the United States and Australia, and these feelings are most pronounced among the more conservative voters who are the New Zealand Party's principal target. There is also a deepseated and widespread public attachment to the comprehensive program of social welfare benefits. The strength of this sentiment was illustrated by the outcry over Muldoon's cuts in government subsidies for food, postage, transportation, and hospital care shortly after he came into office in late 1975. Muldoon was operating at the time from

the strength of an unprecedented parliamentary majority and could afford to go against public opinion, but he has not made significant reductions in welfare benefits since then. [REDACTED]

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The New Zealand Party may be overly optimistic about the vote getting potential of its advocacy of a South Pacific nuclear-free zone, even though antinuclear activists were well represented at its inaugural conference in March. Fear of nuclear contamination spans the political spectrum in New Zealand and is voiced even by a few National Party backbenchers, despite Muldoon's scoffing at their fears. Antinuclear sentiment is even more pronounced among Labor Party supporters. Labor established its antinuclear credentials through longtime advocacy of a South Pacific nuclear-free zone and opposition to port calls by nuclear-powered US navy ships. The New Zealand Party probably could attract few Laborites on the antinuclear issue alone. [REDACTED]

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#### Muldoon on Guard

Local observers do not expect the New Zealand Party to win many seats of its own. We question the depth of commitment of its professed supporters and whether they will register their public preference once inside the voting booth. The balance between trendy politics and real dedication will be difficult to measure before the election. [REDACTED]

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Nevertheless, the New Zealand Party will probably garner enough votes to act as the spoiler in pushing some marginal seats of the two major parties into the other party's win column. We believe that National will be the bigger loser in this respect. This prospect should impel Muldoon to plan a campaign as much against the New Zealand Party as against his traditional rival, Labor. [REDACTED]

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Original

1--OEA/ITM  
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3--D/OEA  
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1--PDB (7F30)  
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Outside:

Defense:

1--LTC James Riordan  
1--Bill Mayo  
1--John Greenwood  
1--Don Berlin  
1--Stewart Ring

State:

1--Paul Wolfowitz  
1--Bob Carroll  
1--John Dorrance  
1--William Brown  
1--Bob Brand  
1--RADM Jonathan Howe

Treasury:

1--Douglas Mulholland

Commerce:

1--Bill DeRocher  
1--Stephen Hall  
1--Gene Lawson

NSC:

1--Richard Childress  
1--Gaston Sigur  
1--David Laux



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1--Suva

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